



No. 4

March 14, 2005

S. Con. Res. 18 – Concurrent Budget Resolution for Fiscal Year 2006

Calendar No. 51

Reported on March 11, 2005 as an original concurrent resolution by the Senate Budget Committee, by a vote of 12 to 10.

Noteworthy

As approved by the Senate Budget Committee, S. Con. Res. 18 sets total spending in FY 2006 at \$2.559 trillion and total revenues at \$2.198 trillion.

- **Deficit Reduction:** As approved by the Budget Committee, S. Con. Res. 18 would reduce the projected deficit from \$397 billion in 2005 to \$362 billion in 2006. Notably, the budget resolution achieves the President's goal of halving the deficit within five years from the level he projected last year for 2004, which was \$521 billion in nominal terms and 4.5 percent of GDP.
- **Discretionary Spending:** As approved by the Budget Committee, S. Con. Res. 18 provides \$843.4 billion in discretionary budget authority for FY 2006. Within this allocation, most spending programs are assumed to be frozen at FY 2005 levels, except high-priority areas including defense and homeland security.
- **Mandatory Spending:** As approved by the Budget Committee, S. Con. Res. 18 includes a \$32 billion net reduction in mandatory spending over five years.
- **Budget Enforcement:** As approved by the Budget Committee, S. Con. Res. 18 includes discretionary caps for the next three fiscal years, retains the pay-as-you-go rule in the FY 2004 Budget Resolution, and includes a new point of order for any legislation that increases spending more than \$5 billion in any 10-year period between 2015 and 2055.
- **Tax Cuts:** As approved by the Budget Committee, S. Con. Res. 18 includes instructions directing the Finance Committee to reduce taxes by no more than \$70.2 billion over the five-year budget window.

Highlights

Reconciliation

Spending Reconciliation Instructions (Section 201 (a))

As approved by the Budget Committee, S. Con. Res. 18 instructs seven committees to produce net mandatory savings of \$32 billion over five years. Mandatory spending would still grow from \$1.5 billion in 2005 to \$2 trillion in 2010. **A reconciliation package affecting spending programs was last enacted in 1997, when Congress passed savings more than five times the level proposed here.**

Although S. Con. Res. 18 assumes specific policies to achieve these savings, the authorizing committees may report any legislation within their jurisdictions that achieves the required savings. Consequently, the only binding effect of the instructions on the authorizing committees is the amount that must be saved, not how the savings are achieved.

<u>Authorizing Committee</u>	<u>Amount of Savings</u>
Agriculture	\$2.8 billion
Banking	\$0.3 billion
Commerce	\$2.6 billion
Energy	\$2.7 billion
Environment & Public Works	\$0.1 billion
Finance	\$15.0 billion
HELP	\$ 8.6 billion
TOTAL	\$32 billion¹

Revenue Reconciliation Instructions (Section 201 (b))

As approved by the Budget Committee, S. Con. Res. 18 instructs the Finance Committee to produce a tax-relief bill that reduces taxes by no more than \$70.2 billion over the five-year budget window. Within these instructions, the tax policy assumptions are focused on preventing economically damaging tax increases.

Provisions of the Jobs and Growth Tax Relief Reconciliation Act of 2003 are set to expire after tax year 2008; tax rates on **capital gains** would jump from 15 to 20 percent and tax rates on **dividend income** would jump from 15 percent to as high as 35 percent. S. Con. Res. 18 assumes these tax cuts are extended throughout the five-year budget window. Tax incentives for small business owners to invest and expand are set to expire after tax year 2007. S. Con. Res. 18 assumes these incentives continue throughout the five-year budget window.

¹ Numbers add to \$32.1 due to rounding, but the actual total is \$32 billion.

Budget Enforcement

Pay-as-you-go

As approved by the Budget Committee, S. Con. Res. 18 leaves unchanged the pay-as-you-go rule in the FY 2004 Budget Resolution, the last budget agreed to by the full Congress. The rule establishes a 60-vote point of order against legislation that would increase the deficit beyond the level assumed in the FY 2006 Budget Resolution in FY 2006, the five-year period from FY 2006-2010 or the five-year period from FY 2011-2016.

Restrictions on Advance Appropriations (Section 401)

As approved by the Budget Committee, S. Con. Res. 18 caps the use of advance appropriations for FY 2007 and FY 2008 at \$23.4 billion. Furthermore, this restriction only permits advance appropriations in 3 appropriations bills: 1) Interior; 2) Labor, Health and Human Services, Education; and 3) Transportation, Treasury.

Emergency Legislation (Section 402)

As approved by the Budget Committee, S. Con. Res. 18 provides for the use of emergency appropriations when the President designates the spending as an emergency requirement and Congress agrees to designate the spending as an emergency.² Such spending is an emergency if it is: 1) necessary (essential or vital); 2) sudden (quickly coming into being and not building over time); 3) urgent (pressing and compelling need requiring immediate action); 4) unforeseen (unpredictable and unanticipated); and 5) not permanent. Under emergency spending, the Senate's pay-as-you-go scorecard is held harmless with respect to associated costs.

As approved by the Budget Committee, S. Con. Res. 18 provides for up to \$50 billion in supplemental appropriations for overseas contingent operations related to the global war on terrorism.

Supermajority Enforcement (Section 403)

As approved by the Budget Committee, S. Con. Res. 18 extends the 60-vote requirement for waivers and appeals concerning certain Budget Act points of order through September 30, 2010.

Discretionary Spending Limits in the Senate (Section 404)

As approved by the Budget Committee, S. Con. Res. 18 sets out congressional discretionary spending limits with respect to both budget authority and outlays for the first year covered by the budget resolution. The discretionary caps follow:

² This designation does not have to take place in a specific order.

FY 2006:

New Budget Authority: \$843.4 billion
Discretionary Outlays: \$946.9 billion

FY 2007

New Budget Authority: \$868.5 billion

FY 2008

New Budget Authority: \$891.5 billion

Limitation on Long-Term Spending Proposals (Section 407)

As approved by the Budget Committee, S. Con. Res. 18 establishes a new 60-vote point of order against legislation that would increase spending more than \$5 billion in any of the four 10-year periods between 2015 and 2055.

Bill Provisions

Note:

Simply put, the discretionary budget assumptions in the budget are just that—assumptions—nothing more, nothing less. With respect to discretionary spending, the budget provides a binding 302(a) number to the Appropriations Committee.³ The 302(a) number is the top level for discretionary spending in a given year. As passed by the Budget Committee, S. Con. Res. 18 provides a 302(a) of \$843.4 billion. This figure is the only binding number that is forwarded to the Appropriations Committee. Consequently, despite the fact that a number of amendments will be offered seeking to increase individual discretionary programs with offsetting decreases in other individual discretionary accounts, such amendments are non-binding on the Appropriations Committee.

Spending**National Defense (Function 050)**

- For national defense funding in 2006, S. Con. Res. 18 assumes \$491.6 billion in budget authority and \$496.1 billion in outlays.
- The resolution assumes a \$50 billion reserve in supplemental appropriations for costs associated with ongoing military operations in Iraq and Afghanistan.

International Affairs (Function 150)

- For international affairs in 2006, S. Con. Res. 18 assumes \$33.3 billion in budget authority and \$35.7 billion in outlays.

³ The Appropriations Committee subsequently breaks the 302(a) number into 12 302(b) numbers, which are the allocations to the individual Appropriations Subcommittees.

General Science, Space, and Technology (Function 250)

- This function includes the National Aeronautics and Space Administration (NASA) civilian space program (which excludes NASA aeronautics funding that falls in function 400), basic research programs of the National Science Foundation (NSF), and Department of Energy (DOE) Office of Science.
- For this function in 2006, S. Con. Res. 18 assumes \$24.7 billion in budget authority and \$23.9 billion in outlays.

Energy (Function 270)

- For energy in 2006, S. Con. Res. 18 assumes \$3.2 billion in budget authority and \$2.1 billion in outlays.

Natural Resources and Environment (Function 300)

- For this function in 2006, S. Con. Res. 18 assumes \$29.9 billion in budget authority and \$31.9 billion in outlays.

Agriculture (Function 350)

- For Agriculture in 2006, S. Con. Res. 18 assumes \$29.1 billion in budget authority and \$28.1 billion in outlays.

Commerce and Housing Credit (Function 370)

- This function includes discretionary housing programs, such as subsidies for single and multifamily housing in rural areas and mortgage insurance provided by the Federal Housing Administration; net spending by the Postal Service; discretionary funding for commerce programs, such as international trade and exports, science and technology, the census, and small business; and mandatory spending for deposit insurance activities related to banks, thrifts, and credit unions.
- For this function in 2006, S. Con. Res. 18 assumes \$5.6 billion in budget authority and \$0.4 billion in outlays.

Transportation (Function 400)

- For transportation in 2006, S. Con. Res. 18 assumes \$69.7 billion in budget authority and \$69.8 billion in outlays.

Community and Regional Development (Function 450)

- This function includes funding for community and regional development and disaster relief. The function includes the Federal Emergency Management Agency (FEMA), the Economic Development Administration (EDA) within the

Commerce Department, and portions of the Department of Housing and Urban Development (most notably the **Community Development Block Grant** program) and the Bureau of Indian Affairs.

- For this function in 2006, S. Con. Res. 18 assumes \$13.0 billion in budget authority and \$18.3 billion in outlays.

Education (Function 500)

- For this function in 2006, S. Con. Res. 18 assumes \$91.9 billion in budget authority and \$86.9 billion in outlays.
- The resolution assumes an increase in Pell Grant funding of \$1.3 billion or 10.1 percent over 2005 by adding \$417 million in new budget authority (\$100 million in outlays) to the President's discretionary request of \$834 billion in new budget authority. This amount would be sufficient to increase the maximum grant by \$100 to \$4,150 beginning in 2006. Compared to the last year of the Clinton Administration, Pell Grant spending will have increased by \$4.9 billion or 56 percent. Given this level of funding, the number of Pell Grant recipients would increase by 138,000 over 2005, an increase of 2.6 percent. Compared to the last year of the Clinton Administration, the number of Pell Grant recipients will increase by 1.2 million or 28 percent.⁴

Health (Function 550)

- For this function in 2006, S. Con. Res. 18 assumes \$260.5 billion in budget authority and \$260.9 in outlays.

Medicare (Function 570)

- For Medicare in 2006, S. Con. Res. 18 assumes \$331.2 billion in budget authority and \$331 billion in outlays.

Income Security (Function 600)

- For this function in 2006, S. Con. Res. 18 assumes \$347.4 billion in budget authority and \$353.4 billion in outlays.

Social Security (Function 650)

- For the Social Security Administration in 2006, S. Con. Res. 18 assumes \$546.8 billion in budget authority and \$544.8 billion in outlays.

⁴ The resolution assumes savings from reduced lender subsidies. A majority of these savings are returned to students in the form of program enhancements to expand access to college, and the remainder to taxpayers in the form of deficit reduction.

Veterans' Benefits and Services (Function 700)

- For veterans' benefits and services in 2006, S. Con. Res. 18 assumes \$68.6 billion in budget authority and \$68 billion in outlays.

Administration of Justice (Function 750)

- For federal law enforcement and judicial activities in 2006, S. Con. Res. 18 assumes \$41 billion in budget authority and \$42.4 billion in outlays.

General Government (Function 800)

- For general government programs in 2006, S. Con. Res. 18 assumes \$18.2 billion in budget authority and \$18.4 billion in outlays.

Reserve Funds

In general, a reserve fund permits the Chairman of the Committee on the Budget to increase the section 302 allocation and other appropriate levels set out in this resolution (including, in some cases, the discretionary spending limits) once certain conditions have been met. The authority to make these adjustments is solely within the discretion of the Chairman, and may be made when the committee of jurisdiction reports a measure that satisfies all of the conditions set out in the reserve fund.

Reserve Fund for Land and Water Conservation Fund (Section 304)

As approved by the Budget Committee, S. Con. Res. 18 includes a reserve fund stipulating that if legislation is enacted that opens ANWR to drilling, \$1.05 billion of the associated receipts will be devoted to appropriations for the Land and Water Conservation Programs, the Forest Legacy Program, and the Coastal and Estuarine Land Protection Program (\$350 million per year in 2008, 2009, and 2010).

Reserve Fund for Pell Grant Shortfall (Section 305)

As approved by the Budget Committee, S. Con. Res. 18 assumes \$4.3 billion in one-time budget authority in a reserve fund to eliminate the current Pell Grant shortfall. It further assumes that the HEA reauthorization will include loan forgiveness up to \$4,000 for Pell Grant recipients who complete a degree within four years and have student loan debt. The loans would be converted to the equivalent of grant aid by being paid off during the grace period once the borrower documents completion of a degree. A student receiving the full amount of forgiveness would receive the equivalent of \$5,150 in grant aid each year of school.

Reserve Fund for Higher Education (Section 306)

As approved by the Budget Committee, S. Con. Res. 18 includes a \$5.5 billion reserve account to cover the new costs (over five years) of initiatives in the reauthorization of the Higher Education Act (HEA) to provide increased access to college for low- and middle-income students.

Reserve Fund for Energy Legislation (Section 307)

As approved by the Budget Committee, S. Con. Res. 18 includes a reserve fund for energy policy legislation, which totals \$0.1 billion in budget authority for 2006 and \$2.0 billion in budget authority for 2006-2010.

Reserve Fund for the Arctic National Wildlife Refuge

As approved by the Budget Committee, S. Con. Res. 18 provides a reserve fund of \$2 billion over five years for enactment of a national energy policy, assumes \$4.6 billion in associated tax incentives and assumes a \$2.5 billion increase in receipts as a result of opening the Arctic National Wildlife Refuge (ANWR) to oil exploration and development; however, the budget resolution cannot dictate the contents of legislation reported by any committee.

Deficit-Neutral Reserve Funds**Reserve Fund for Health Insurance Technology and Pay-For-Performance (Section 301)**

As approved by the Budget Committee, S. Con. Res. 18 provides a reserve fund for a bill that improves health care quality through the adoption of health information technology and performance-based payments that are based on accepted clinical performance measures.

Reserve Fund for Asbestos Injury Trust Fund (Section 302)

As approved by the Budget Committee, S. Con. Res. 18 provides a reserve fund for a bill that creates an Asbestos Injury Trust Fund that compensates injured victims of asbestos-related disease, as long as the bill is deficit-neutral for 50 years.

A Reserve Fund for the Uninsured (Section 303)

As approved by the Budget Committee, S. Con. Res. 18 provides a reserve fund for committees of jurisdiction (HELP and Finance) to pass legislation that addresses health care costs, reduces the number of uninsured, or improves access to care.

Adjustments**Adjustment of Surface Transportation (Section 308)**

As approved by the Budget Committee, S. Con. Res. 18 provides a mechanism to increase allocations of contract authority and outlays for the relevant committees that report legislation relating to the reauthorization of and appropriation for surface transportation programs, provided that the reauthorization (by virtue of a title reported by the Committee on Finance) makes available new net resources for the highway trust fund that offset the resulting outlays without increasing the deficit.

Background

Background

As Congress's blueprint for federal spending, the budget resolution sets binding limits on discretionary and mandatory spending levels and binding floors for revenue collections. For discretionary spending, the budget resolution allocates overall spending levels to the House and Senate Appropriations Committees through its 302(a) allocations.⁵

Enforcement of the budget resolution's provisions is affected through both internal Senate rules as well as statutory limitations. The spending and revenue levels adopted in the resolution are enforced through 60-vote points of order.

The budget resolution may direct authorizing committees to make changes in mandatory spending programs or tax policy through reconciliation instructions. In past resolutions, spending reduction instructions have been directed to the Finance, Agriculture, Commerce, Banking, HELP, and other authorizing committees. Revenue-change instructions have been directed to the Finance Committee.

The reconciliation process is enforced through numerous provisions at both the committee and floor level. Committees failing to adopt legislation meeting the resolution's instructions face the possibility that any Senator could offer a motion to recommit with any adjustment to the reconciliation legislation, if that adjustment would bring the violating committee into compliance. On the floor, reconciliation bills enjoy protected status, including limited debate on the bill and individual amendments, and special points of order against amendments that increase the deficit, amend the Social Security Act, and others. [For a full description of budget and reconciliation rules, see Senate Budget Committee Print 105-67.]

Procedures

Under the Budget Act of 1974, as amended, a budget resolution is a privileged piece of legislation. It is not subject to filibuster, and debate time is limited to 50 hours, equally divided. However, this does not mean that Republicans have 25 hours for debate and the offering of amendments. As time is used on debate or amendments, remaining time is equally divided as debate proceeds. In addition, votes do not count against this time limit, nor do quorum calls just prior to votes. [For an explanation of Budget Act points of order, see Riddick's Senate Procedure, revised in 1992, pp. 615-618.]

Amendments to the budget resolution must be germane; otherwise, a point of order lies against the amendment, and 60 votes are required to waive the point of order. Germane amendments are those which:

⁵ The Appropriations Committee then divides this allocation among its subcommittees through 302(b) allocations.

- 1) strike;
- 2) increase or decrease numbers; or
- 3) add language that restricts some power in the resolution.

Debate on first-degree amendments is limited to two hours, one hour to proponents and one hour to opponents. Debate on second-degree amendments is limited to one hour, 30 minutes to proponents and 30 minutes to opponents. All debate time on a first-degree amendment must be used or yielded back before a second-degree amendment can be offered.

No debate is allowed on a point of order made against any amendment under the Budget Act. If a Senator wishes to debate the point of order, he or she must move to waive the Budget Act. Debate on any motion to waive a point of order is limited to one hour, equally divided. Amendments can be offered at any time.

Possible Amendments

The following is a list of amendments offered during the Budget Committee markup. Both the adopted and defeated amendments are listed. Similar amendments can be expected on the Senate floor.

Amendments Adopted

Grassley, R-IA — Expresses the sense of the Senate that there should be a cap on the amount an individual farmer could receive each year from price- and income-support payments. **Approved 15-7.**

Amendments Accepted by Unanimous Consent

Enzi, R-WY — Creates a reserve fund for any legislation reported by the Senate HELP Committee that would permit the safe importation of prescription drugs, if approved by the FDA, with any budgetary savings to be used for deficit reduction (generally estimated at \$1.5 billion).

Corzine, D-NJ — Modified sense of the Senate language regarding Senate Finance Committee reconciliation language, urging that the panel not report legislation that would shift Medicaid costs to the states.

Stabenow, D-MD — Sense of the Senate rejecting the proposed elimination of per diem payments for the vast majority of patients that reside in State Veterans' Homes contained in the President's Budget. Accepted as modified.

Corzine, D-NJ — Would express sense of the Senate that homeland security grants to state and local governments should be distributed based on the risk of terrorism to those areas. Accepted as Modified.

Amendments Defeated

Sarbanes, D-MD — Would boost funding for environmental programs. Senator Sarbanes said it should be used for the EPA's Clean Water State Revolving Fund. He said it would be paid for by ending “corporate tax loopholes.” **Rejected 10-12.**

Feingold, D-WI— Would create reserve funds for Army and Marine Corps end-strength needs and the Army’s modularity program. Feingold said it would be offset by eliminating tax cuts. **Rejected 9-13.**

Stabenow, D-MI — Would add \$146 million in fiscal year 2006 for technology. Stabenow said that it is intended to offset the President's proposal to eliminate the Commerce Department's Advanced Technology Program. **Rejected 8-14.**

Corzine, D-NJ — Would implement fees to be used for cleaning up “superfund” sites. **Rejected 10-12.**

Feingold, D-WI — Would implement “pay-as-you-go” rules that would apply to all tax cuts and new mandatory spending proposals. **Rejected 10-12.**

Nelson, D-FL— Would boost funding for law enforcement. Nelson said the funding should go to restore cuts the President has proposed for the COPS and Byrne grant programs. **Rejected 10-12.**

Stabenow, D-MI — Creates a reserve fund for any budgetary savings from legislation that would extend to Medicare Part D, the prescription drug benefit, the “hold harmless” provision that applies to Medicare Part B with regards to Social Security. That current provision ensures that the fees charged for taking part in Part B do not exceed the annual Social Security cost-of-living-adjustment. **Rejected 10-12.**

Murray, D-WA — Would add \$4.7 billion spending for education. **Rejected 10-12.**

Byrd, D-WV — Would add \$210 billion in discretionary funding over five years. Byrd said the money should go to cover costs associated with military operations in Iraq and Afghanistan. It would strike the tax-cut provisions in the resolution. **Rejected 10-12.**

Wyden, D-OR — Would call for the Medicare prescription drug law to be modified to allow the federal government to negotiate with drug-makers for lower prices for drugs covered by the program. **Rejected 10-12.**

Stabenow, D-MI — Would increase funding for First Responder programs by \$1.6 billion, to restore cuts proposed by the President. Funds would be spread over budget functions that fund the COPS program, justice assistance programs, urban preparedness grants, and firefighter grants. Offset by specified revenue increases. **Rejected 10-12.**

Murray, D-WA — Would increase funding for VA health care funding by almost 3 percent over fiscal 2005 levels. Offset by specified revenue increases. **Rejected 10-12.**

Feingold, D-WI — Would strike reconciliation language that calls for legislation to permit oil drilling in Alaska’s Arctic National Wildlife Refuge. **Rejected 10-12.**

Sarbanes, D-MD — Would boost funding for CDBG and other community development programs by \$1.9 billion (through various budget functions) to restore funding for those programs to fiscal 2005 levels. Calls for the programs to remain as they currently exist, rather than to be consolidated, as proposed by the President’s budget. Offsets the increase by closing tax loopholes. **Rejected 10-12.**

Conrad, D-ND — Would create a 60-vote Senate point of order against legislation that would increase mandatory spending or cut taxes, unless those costs are offset, until the Social Security solvency problem has been addressed. **Rejected 10-12.**

Nelson, D-FL — Sense of the Senate that the borrowing suggested by President Bush’s Social Security proposal would shift the financial burden onto future generations, and is unsustainable and unacceptable. **Rejected 10-12.**

Amendments Withdrawn

Corzine, D-NJ — Would add \$1.5 billion in fiscal 2006 for transportation. Senator Corzine said it is intended for Amtrak. It would be offset, he said, by curbing “abusive tax shelters.”